



## Press release

17 December 2008

# Merger of Friesland Foods and Campina to go ahead

Meppel/Zaltbommel – **Friesland Foods and Campina are to merge. On Wednesday afternoon of 17 December 2008, the General Meeting of Friesland Foods and the Members' Council of Campina decided to merge. Earlier today the European Commission approved the merger subject to the divestiture of some of the fresh dairy activities in the Netherlands, one cheese production plant in the Netherlands and two long-life dairy drink brands in the Netherlands and Belgium. To reduce FrieslandCampina's share in the Dutch raw milk market and guarantee the availability of milk for third parties, a maximum of 1.2 billion kilos of milk will be made available for sale annually via a newly set-up independent foundation to new and existing producers of fresh dairy products or naturally matured cheese in the Netherlands, provided these producers are interested in buying this milk. The actual merger is expected to take place on 30 December 2008.**

In December 2007, both dairy cooperatives announced their intention to merge. Executive Boards and Boards/Supervisory Boards of Friesland Foods and Campina adopted the merger agreement in April 2008. In May, the General Meeting of Friesland Foods and the Members' Council of Campina approved the effectuation of the merger agreement. The Works Councils of both companies also approved the merger after having reviewed the merger proposals and the consequences of the remedies imposed by the European Commission.

### **Combining innovative strength and milk expertise**

Cees 't Hart, Chief Executive Officer (CEO) of the new company, is delighted that the merger is to become reality. "The preparations for the merger have taken more than a year. During that period we have become even more convinced that the merger is coming at the right time. Now we can actually start doing business together based on our combined innovative strength and the milk expertise of our employees. We expect to be able to grow more strongly in brands and new concepts. This not only applies to consumer products, but also to dairy ingredients."

### **Strong and dynamic company**

FrieslandCampina is better able to anticipate and respond more dynamically and effectively to the constantly accelerating changes in market conditions, the ongoing liberalisation of the international markets and the increasing competition, both regionally and worldwide.

"The need for this has only increased further in the past year," says Kees Wantenaar, the Chairman-designate of the Supervisory Board of FrieslandCampina: "I am glad that our member dairy farmers have given their final approval for the merger. When the merger was announced a year ago, we were going through times of unprecedented high prices in the dairy sector. The situation on the global dairy market has changed drastically since then. When we started with the merger in 2007, there was no sign of a financial crisis, let alone a recession. So the new company will start in a challenging market and will have to prove itself in these testing conditions. FrieslandCampina has scale in research, production and marketing, local market knowledge, entrepreneurship and highly skilled and motivated staff. The past period has demonstrated this. Teams have worked very hard and very well together

to prepare the merger. People have literally been working day and night. It was a really inspiring experience. So now we can set to work, particularly for the position of our member dairy farmers in the increasingly liberalised international dairy market.”

### **European Commission Investigation**

In early 2008, the merger talks started with the European Commission. In June 2008, the Commission launched an investigation into the potential consequences of the proposed merger for the markets of the two companies. In the past six months, 14 different product-market combinations have been investigated. The dairy market is complex because on the production side, various dairy groups are interlinked (such as cheese, whey and butter/cream), but in the market, the positions can vary hugely. Ultimately, the Commission felt that the new combination would hold too dominant a position in the markets for fresh dairy and naturally matured cheese in the Netherlands, in long-life flavoured dairy drinks in the Netherlands and Belgium and in the raw milk market in the Netherlands.

Cees 't Hart: “The procedure with the European Commission was intensive. We are delighted with the permission from Brussels, but we regret that we are required to divest certain parts of the business. Employees, clients and consumers have a long-standing emotional attachment to the activities that we must now sell. At the same time our aspiration to take a stronger stance in the international dairy market remains fully intact. All arguments in favour of the merger are as valid now as they were a year ago.”

To meet the objections of the European Commission, the activities of Friesland Foods Fresh (fresh dairy) in Nijkerk, the cheese production plant of Campina Holland Cheese (naturally matured cheese) in Bleskensgraaf and the Yogho Yogho and Choco Choco brands (long-life dairy drinks) in the Netherlands and Belgium will be divested. In addition, FrieslandCampina will grant a temporary licence to the buyer of Friesland Foods Fresh for the Friesche Vlag fresh dairy brand. FrieslandCampina will remain the owner of the Friesche Vlag brand and will continue to carry it for such products as long-life dairy drinks and coffee creamers.

Friesland Foods Fresh in Nijkerk produces milk, buttermilk, natural and fruit-flavoured yoghurt, quark yoghurt, custard, porridge, Milk&Fruit and Breaker. In Nijkerk, fresh dairy products are produced under the brand Friesche Vlag and other own brands for supermarkets. Just over 500 people work at the Nijkerk site, including approximately 150 temporary staff. Revenue is approximately 215 million euros (2007).

The Campina Holland Cheese production plant at Bleskensgraaf produces Gouda cheese. The company employs almost 70 people, including sales and support service staff. Revenue is approximately 140 million euros (2007).

Yogho Yogho and Choco Choco are relatively small brands with revenue of approximately 12 million euros in the Netherlands and Belgium. No jobs will be lost as a result of the sale of these brands.

Management and employees who currently work at Friesland Foods in Nijkerk and Campina in Bleskensgraaf will transfer with the activities to a new owner.

The units to be divested jointly account for revenue of about 367 million euros, representing some 4% of the new company's total revenue of 9.1 billion euros (based on 2007 figures). A total of approximately 420 employees are involved in the divestitures.

To guarantee the availability of Dutch raw milk for third parties, FrieslandCampina is required to make available annually a maximum of 1.2 billion kilos of Dutch raw milk for sale to new or existing producers of fresh dairy products or naturally matured cheese in the Netherlands, provided they are interested in buying this milk. An independent foundation will be set up for this purpose and will be operational from mid-2009. In order to reduce FrieslandCampina's share in the Dutch raw milk market and guarantee the availability of milk for third parties, member dairy farmers who opt to cancel their membership of FrieslandCampina and deliver their milk elsewhere will receive an amount of 5 euros per 100 kilos of milk. This applies, however, up to a maximum of 1.2 billion kilos of milk. Cancellation of the membership is voluntary, so each member decides independently and there will be no compulsory

cancellation. The quantity of milk for which this incentive will be paid will be deducted from the quantity of milk made available for sale annually via the foundation. The conditions imposed by the European Commission, incidentally, form no barrier whatsoever to the operational growth in the milk volume of the member dairy farmers of FrieslandCampina.

### **FrieslandCampina**

The merger will create a leading global dairy business. The diversification across product groups and geographical markets, the strong brands and the international scale in research, production, marketing and sales will make FrieslandCampina a more dynamic and effective company - a company that will be able to respond efficiently to the constantly accelerating changes in the market.

FrieslandCampina will organise its activities in a structure comprising four business groups: Consumer Products Western Europe, Consumer Products International, Cheese & Butter and Ingredients. The product range consists of consumer milk, milk in powder and concentrated form, dairy drinks, yoghurts, desserts, cream, coffee creamers, baby and infant food, cheese, butter and ingredients. Based on the figures of 2007 FrieslandCampina's annual revenue will amount to 9.1 billion euros. The 17,000 member dairy farmers will jointly deliver 8.3 billion kilos of milk. The company will employ 22,000 people and has about 100 production and sales locations in 24 different countries.

Cees 't Hart will be the chairman of the Executive Board (CEO) of the new business. Other members of the Board will be: Kees Gielen (Chief Financial Officer), André Boudewijns (Chief Integration Officer), Piet Hilarides (Chief Operating Officer Cheese & Butter), Freek Rijna (Chief Operating Officer Consumer Products Western Europe), Theo Spierings (Chief Operating Officer Consumer Products International) and Frans Visser (Chief Operating Officer Ingredients). The head office will be located in Amersfoort (the Netherlands).

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### About Royal Friesland Foods

Royal Friesland Foods is a multinational that produces and markets natural, nutritious and high-quality dairy products, fruit drinks and ingredients. Taste, health, convenience, reliability and vitality for the consumer are key characteristics. With a wide range, Friesland Foods is represented in more than 100 countries. Worldwide, Friesland Foods employs approximately 14,600 employees. In 2007, its revenue was 5.1 billion euros. The business is based on a cooperative model. The 9,400 member dairy farmers of Zuivelcoöperatie Friesland Foods are the owners and the suppliers of the milk. Its most important brands are Dutch Lady, Frisian Flag, Foremost, Friesche Vlag, Milli, NoyNoy, Peak, Bonnet, Rainbow, Completa, Debic, Frico, Friso, Pöttyös, Dots, Domo, Kievit, Appelsientje, Chocomel, Cécémel, CoolBest, DubbelFriss, Extran and Fristi.

Internet: [www.frieslandfoods.com](http://www.frieslandfoods.com)

### About Campina

With operations from London to Moscow and from the United States to Japan and firmly rooted in the Netherlands, Germany and Belgium for many generations: the cooperative dairy company Campina. The just over 7,000 dairy farmers who together own Campina, supply the best milk every day. This forms the basis for milk, dairy drinks yoghurts, desserts, cheese and butter, which consumers recognise in the brands Campina, Betagen Botergoud, Coast, Fruttis, Landliebe, Mona, Milner, Optimel/Optiwell, Valess, Vifit and Yazoo. Via DMV International, Creamy Creation and Nutrifee, Campina is also a leading global supplier of ingredients to the food and pharmaceutical industry. With their passion for dairy, the 7,000 or so employees generate revenue of 4.0 billion euros.

Internet: [www.campina.com](http://www.campina.com)

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